



SEPA CREDIT TRANSFER

Application Pack for Adherence to the SEPA Credit Transfer Scheme for Applicants that are neither licensed credit institutions (or licensed Swiss banks) nor entities listed under Article 2 of Directive 2006/48/EC (hereafter "non Credit Institutions")

This document will be revised to accommodate applicants, which are payment institutions under the Payment Services Directive 2007/64/EC, and, a new version of this document will be issued to correspond with the deadline for the transposition of this Directive into the Member States, 1 November 2009.

Abstract	Currently this document provides a template application form for applicants that are neither licensed credit institutions (or licensed Swiss banks) nor entities listed under Article 2 of Directive 2006/48/EC (or equivalent Swiss entities). This document will be revised to accommodate applicants, which are payment institutions under the Payment Services Directive 2007/64/EC and a new version of this document will be issued to correspond with the deadline for the transposition of this Directive into the Member States, 1 November 2009.
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Preface to the Application

APPLICATION TO ADHERE TO THE SEPA CREDIT TRANSFER SCHEME

The SEPA Credit Transfer Scheme (the "Scheme") is a payments scheme for making credit transfer payments in euro, based on the harmonised rules and technical standards set out in the SEPA Credit Transfer Scheme Rulebook (the "**Rulebook**") and its associated documents such as the SEPA Credit Transfer Scheme Implementation Guidelines.

The Scheme is administered by the European Payments Council (the "**EPC**"). The EPC body that is charged with administering the Scheme is known as the Scheme Management Committee (the "**SMC**"). The SMC is responsible for approving applications to join the Scheme, for managing disputes arising within the Scheme and for handling breaches of the Rulebook. Further details on the role of the SMC can be found in the Scheme Management Internal Rules (the "**Internal Rules**"), which may be downloaded from the EPC website on www.europeanpaymentscouncil.eu.

The eligibility criteria for becoming a Participant in the Scheme are set out in section 5.4 of the Rulebook. The criteria reflect the key technical and legal requirements that must be fulfilled by all Scheme Participants to best ensure the proper function, operation and integrity of the Scheme.

This application form must only be completed by applicants that do not fall within one of the following categories:

- a credit institution licensed under Article 6 of Directive 2006/48/EC. As of 2 February 2009 this provision shall be repealed and replaced by the following: "a credit institution which is authorised in accordance with Article 6 of Directive 2006/48/EC by a state which is a member of the European Economic Area";
- an institution listed under Article 2 of Directive 2006/48/EC, or an equivalent entity incorporated in Switzerland. As of 2 February 2009 this provision shall be repealed and replaced by the following: "an undertaking which is listed in Article 2 of Directive 2006/48/EC and any equivalent regulated undertaking incorporated in Switzerland"; or
- an institution that is authorised under Article 3 of the Federal Law on Banks and Savings Banks of 8 November 1934 by the Swiss Federal Banking Commission. As of 2 February 2009 this provision shall be repealed and replaced by the following: "a bank that is authorised under Article 3 of the Federal Law on Banks and Savings Banks of 8 November 1934 by the Swiss Federal Banking Commission".

Any references in the Rulebook to a "bank" or "banks" shall be construed as including any undertaking which is eligible under this section 5.4 and shall not be construed as excluding or attempting to exclude undertakings which do not fall within one of the categories listed above.

A Participant shall notify the SMC immediately of any matter that is material to the Participant's eligibility as a Participant under this section 5.4. The SMC shall take reasonable steps to bring such notifications to the attention of all other Participants and the EPC Plenary.

The SMC will only approve an applicant for participation in the Scheme if it can demonstrate that it satisfies the eligibility criteria set out in section 5.4 of the Rulebook. The information provided by an applicant in this application form will enable the SMC to determine whether or not the applicant is able to satisfy these criteria.

It is extremely important that applicants provide accurate, up-to-date and complete information in relation to the criteria set out in this application form. If an applicant fails to provide the necessary information, consideration of its application could be subject to delay or further investigation in accordance with the Internal Rules.

All capitalised terms used and not otherwise defined in this pack shall have the meanings ascribed to such terms in the Rulebook.

THE ELIGIBILITY CRITERIA

The Scheme comprises many thousands of Participants who are contractually obliged to one another under the Scheme rules. This inter-dependency means that it is critical for the proper function of the Scheme that all Participants are able to meet threshold criteria in relation to their legal and operational capabilities for participating in the Scheme.

The eligibility criteria for becoming a Participant in the Scheme are set out in Section 5.4 of the Rulebook. The eligibility criteria seek to ensure that Participants in the Scheme have the necessary operational and legal capacity, internal systems and controls, and regulatory status to be able to make SEPA Credit Transfers in accordance with the rules and standards set out in the Rulebook.

The eligibility criteria in the Rulebook are designed to be objective, proportionate and transparent, and do not seek to restrict the type of institutions that may apply to become Participants in the Scheme.

Under the Rulebook, to qualify for participation in the Scheme, an applicant must at all times:

- be active in the business of providing banking and/or payment services to Customers, including the provision of accounts used for the execution of payments, holding the Funds needed for the execution of payments or making the Funds received following the execution of payments available to Customers
- be regulated by an appropriate European regulatory body. As of 2 February 2009 this provision will be repealed and replaced by the following: "be regulated by an appropriate European regulatory body or any equivalent regulated undertaking incorporated in Switzerland".
- be incorporated or licensed in a SEPA jurisdiction.
- be able to pay its debts as they fall due, and not be insolvent as defined in accordance with any insolvency law applicable to the Participant
- maintain a sufficient level of liquidity and capital in accordance with regulatory requirements to which it is subject
- be able to meet rating or other criteria set under the terms of the Scheme from time to time for the purpose of establishing the Participant's ability to meet its financial obligations
- comply fully with applicable regulations in respect of money laundering, sanctions restrictions and terrorist financing
- participate, or be eligible to participate, directly or indirectly in one or more CSMs for the purpose of providing access to the Scheme throughout SEPA

- develop and effect operational and risk control measures appropriate to the business undertaken by the Participant

As set out in the introduction, institutions that fall within the following categories are deemed to automatically satisfy the criteria set out above and do not require to use this application pack for adherence to the Scheme:

- a credit institution licensed under Article 6 of Directive 2006/48/EC. As of 2 February 2009 this provision shall be repealed and replaced by the following: "a credit institution which is authorised in accordance with Article 6 of Directive 2006/48/EC by a state which is a member of the European Economic Area";
- an institution listed under Article 2 of Directive 2006/48/EC, or an equivalent entity incorporated in Switzerland. As of 2 February 2009 this provision shall be repealed and replaced by the following: "an undertaking which is listed in Article 2 of Directive 2006/48/EC and any equivalent regulated undertaking incorporated in Switzerland"; or
- an institution that is authorised under Article 3 of the Federal Law on Banks and Savings Banks of 8 November 1934 by the Swiss Federal banking Commission. As of 2 February 2009 this provision shall be repealed and replaced by the following: "a bank that is authorised under Article 3 of the Federal Law on Banks and Savings Banks of 8 November 1934 by the Swiss Federal Banking Commission".

Accordingly, all references to "applicants" in this pack refers to applicants that do not fall within one of the categories set out above.

PROCESS

This application pack requests applicants to carefully study the criteria for eligibility and to provide evidence to show how each of these criteria are fulfilled in their specific case. The application pack provides guidance on the forms of evidence that may best assist the SMC in analysing the suitability of the applicant for each condition, and applicants are encouraged to provide supporting evidence in the recommended form.

Applicants should supply as much of the recommended forms of evidence as they are able. However, where an applicant is unable to provide evidence in the form recommended, it should provide evidence in an appropriate form, and where possible, state why a different form of evidence has been supplied. The supporting evidence may be in a language other than English as long as a certified translation is also provided. Applicants should note that the SMC will generally rely on the English language versions of all documentation in making their determination.

Originals of official documents are not required, but copies should be legible and certified as true copies of the original.

A response is required in respect of each of the criteria set out in section 5.4 of the Rulebook. In completing this pack, if an applicant considers that a particular eligibility criterion is not relevant, it should provide a full explanation as to the reasons why this criterion is not applicable.

In the course of reviewing the evidence provided, the SMC may wish to consult third parties to better understand the significance of the information provided. Such third parties could include a

national regulator, a trade association or an expert in the payments industry in relation to the applicant. The SMC will generally inform the applicant in advance of consulting a third party in relation to the application. By completing this pack, the applicant consents to the details of its application being disclosed by the SMC to such a third party for the purposes of its determination by the SMC.

Applicants should note that this application pack must be accompanied by the Adherence Agreement and adherence legal opinion, as published on the EPC website, and in the form annexed to this pack.

The completed application pack, Adherence Agreement and legal opinion should be couriered to:

European Payments Council
12 Avenue Tervueren
B-1040, Brussels
Belgium

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0 DOCUMENT INFORMATION

0.1 References

This section lists documents referred to in the Rulebook. The convention used throughout is to provide the reference number only, in square brackets. Use of square brackets throughout is exclusively for this purpose.

	Document Number	Title	Issued by:
[1]	EPC125-05	SEPA Credit Transfer Scheme Rulebook	EPC

0.2 Change History

Issue number	Dated	Reason for revision
V 1.0	17/12/2008	Approved for public use

0.3 Purpose of Document

Currently this document provides a template application form for applicants that are neither licensed credit institutions (or licensed Swiss banks) nor entities listed under Article 2 of Directive 2006/48/EC (or equivalent Swiss entities). This document will be further revised to accommodate applicants, which are payment institutions under the Payment Services Directive 2007/64/EC, and, a new version of this document will be issued to correspond with the deadline for the transposition of the Directive into the Member States, 1 November 2009.

1 CORE DETAILS

In this section, the applicant is asked to provide basic details in relation to its organisation and its application. By completing this section, the applicant is not required to separately submit the schedule to the Adherence Agreement. However, the applicant should note that all information supplied in this section is provided subject to the terms of the schedule.

1.1 About the Applicant

Full Name of Applicant	
Official Address for Notices	
BIC Code (BIC 8 or BIC 11)	
Contact Email	
Readiness Date	
Full Name of NASO	
Business Activity (please provide details of the main business activity of the applicant)	
Place of Business (please provide details of the main place of business of the applicant)	

1.2 About the Application

Has the applicant used any professional adviser(s) in completing the application? If yes, please provide the name and contact details of the professional adviser(s) used. Can the SMC directly liaise with the professional adviser in the course of determining the application?

Please provide the name and contact details of a contact person for the applicant who is able to directly liaise with the SMC in relation to this application. This person should have detailed knowledge of the organisation and its operational as well as general legal readiness to participate in the Scheme.

2 PAYMENTS ACTIVITY

The Scheme provides payment services providers with a means to make credit transfer payments in euro in accordance with a set of harmonised rules and standards. It is a prerequisite for participation in the Scheme that an applicant is able to demonstrate that it is active in the business of providing payments services as part of its business activities. It is not necessary for the provision of payment services to be the main business activity of the applicant. However, the applicant should be able to demonstrate that it is engaged in the business of providing payment services to Customers. In doing so, the applicant should indicate the scale of its payment services business in comparison with any other business activities that the applicant may be involved in and the infrastructure that it currently has in place to provide payment services to Customers, including arrangements for holding and receiving Funds for Customers.

2.1 Information About the Payments Activity

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Is the applicant active in the business of providing payments services to Customers?
- Is the provision of payments services to Customers the main business activity of the applicant?
- What arrangements does the applicant have in place for holding, receiving and/or making Funds available for Customers? In considering this point, please make reference to any commercial arrangements that the applicant may have in place for outsourcing such functions to a third party provider.
- What are the types of Customers to which payments services are provided (e.g. corporate clients, retail clients, government bodies)?

2.2 Evidence to be provided - For instance

Evidence for demonstrating compliance with this criterion includes:

- Any business plans or marketing prospectuses published by the applicant.
- Details of the applicant's website.
- Annual report.

3 REGULATOR DETAILS

It is generally expected that applicants will be regulated by an appropriate regulatory body within SEPA. In this section, applicants are asked to provide details of all the regulatory bodies that oversee the conduct of the applicant's business activities. Where possible, applicants should provide details of a contact person or department at each regulator that acts as the contact point between the applicant and the regulator(s).

3.1 Information about the Regulator

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- What is the main SEPA jurisdiction in which the applicant is regulated?
- Which regulator(s) is responsible with licensing and overseeing the activities of the applicant? In considering this point, please list the spheres of activity that are overseen by the relevant regulator(s).

3.2 Evidence to be provided - For instance

- Letter from the regulator (s) confirming that the applicant is regulated under their supervisory powers.
- Legal opinion from qualified counsel specifying the laws pursuant to which the applicant is regulated, and confirming that the applicant is regulated by the regulator(s).

4 INCORPORATION AND AUTHORISATION

An applicant must have the requisite legal personality and regulatory status to participate in the Scheme. In this section, the applicant is requested to provide details of its corporate status, as well as any licenses which it may hold in the SEPA jurisdiction(s) where it conducts its payments activity.

If the applicant is not incorporated in a SEPA jurisdiction, it is essential that the applicant is licensed by a suitable regulatory body in a SEPA jurisdiction.

4.1 Details of Incorporation and Authorisation

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Is the applicant incorporated in a SEPA jurisdiction? In responding to this question, please describe the applicant's constitutional status if it is not a corporate entity, for example, in cases where an applicant is a government body, or a branch of a non-SEPA based institution.
- Is the applicant licensed in a SEPA jurisdiction? In responding to this question, please set out the activities for which the applicant is licensed, and whether there are any conditions attaching to the licence.
- Where the applicant is licensed in a SEPA jurisdiction, please provide details of whether or not this licence has ever been revoked or suspended for any reason.

4.2 Evidence to be provided - For instance

- Certificate of incorporation
- Copy of the licence granted a by a SEPA regulatory body.
- Legal opinion from counsel confirming that the applicant is duly incorporated. and/or licensed in a SEPA country.

5 SOLVENCY

An applicant must be able to demonstrate that it is not insolvent, as defined by the insolvency laws to which it is subject. It must therefore be able to show that it is able to pay its debts as they fall due; that its assets exceed its liabilities; and that it is not at risk of becoming subject to applicable insolvency procedures. In this section, applicants are requested to provide evidence of their financial condition, with a view to demonstrating that they are not in danger of an insolvency situation. Applicants are requested to provide a full and complete disclosure of their accounts in this section.

5.1 Details of Solvency

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Please confirm that the applicant is not insolvent, as defined under applicable insolvency laws. In considering this response, please take into account the likelihood of the applicant becoming insolvent as a result of entering into the Adherence Agreement and carrying out the obligations set out in the Rulebook.
- Please confirm whether or not the applicant has been insolvent in the last 5 years, as defined under applicable laws.
- Please indicate whether the applicant is a part of a corporate group, where its assets or liabilities may be shared with a parent or other group entity.

5.2 Evidence to be provided - For instance

- Annual report and accounts, which are less than a year old, at the date on which the application for adherence is submitted.
- Legal opinion from counsel confirming that the applicant is not insolvent, as defined by applicable laws, and that no risk of 'substantive consolidation' on insolvency of another group company may arise.
- Letter from an external accountant (such as the applicant's statutory auditors, where relevant) confirming that the applicant is not insolvent and is able to pay its debts as they fall due.

6 LIQUIDITY AND REGULATORY CAPITAL

The eligibility criteria for the Scheme require applicants to show that they maintain sufficient levels of liquidity and regulatory capital in accordance with the relevant laws and regulatory rules to which they are subject. In view of the importance of liquidity and regulatory capital for mitigating the legal risks that may arise in the payments business, it is a condition for participation in the Scheme that applicants are able to show compliance with any applicable rules and regulations in this area.

6.1 Details of Liquidity and Capital

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Is the applicant subject to rules regarding liquidity and regulatory capital requirements? In responding to this question, please consider applicable legal and regulatory rules, as well as requirements that may be imposed by the clearing and settlement system that the applicant wishes to join.
- If yes, which regulatory authority oversees the applicant's compliance with these rules?
- Please provide a web-link to the relevant rules, or a reference to the legislation or rules where these rules are described?
- Has the applicant been sanctioned, or otherwise penalised in the last 5 years for failing to meet its obligations in relation to the maintenance of sufficient liquidity and regulatory capital?
- Where the applicant's proposed clearing and settlement system imposes requirements relating to liquidity and regulatory capital, please indicate whether the applicant is in a position to comply with these requirements.
- If the applicant is not subject to formal rules on either liquidity or regulatory capital, how does the applicant ensure that it has market-standard practices for controlling liquidity risk and maintaining adequate capital?

6.2 Evidence to be provided - For instance

- Web-link to a website setting out the liquidity and regulatory capital rules to which the applicant is subject, or if no web-link exists, to the legislation or set of rules where these rules are described.
- Legal opinion confirming that the applicant is in compliance with applicable rules on liquidity and regulatory capital, and that no breaches have recently been discovered in this area.
- Statement of liquidity and capital policies approved by the applicant's governing body.
- Regulatory return.

7 RATING CRITERIA

There are at present no rating criteria for participation in the Scheme. Accordingly, this section may be disregarded for the purpose of completing the application.

8 ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS

It is essential that all Participants are able to comply with applicable laws in relation to anti-money laundering, terrorist financing and sanctions. Applicants must be able to demonstrate that they are in compliance with all relevant laws in this area and that no cases of non-compliance have been detected.

8.1 Details of Anti-Money Laundering, Terrorist Financing and Sanctions

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Is the applicant subject to laws on anti-money laundering, terrorist financing and sanctions?
- Please describe the relevant laws and the applicant's internal systems and controls in place to monitor transactions for compliance with these law or equivalent international practice.
- Please state whether the applicant has been in breach of applicable laws in this area in the past 5 years.
- Please state whether the applicant is currently under investigation for any breaches of such applicable laws.

8.2 Evidence to be provided - For instance

- In-house statement of the applicant's policy and procedures for complying with laws on anti-money laundering, terrorist financing and sanctions or equivalent international practice approved by the applicant's governing body.
- Legal opinion from counsel specifying the laws applicable to the applicant in relation to anti-money laundering, terrorist financing and sanctions, and confirming that there is no evidence of breach by the applicant of such laws.
- Certify their intention to keep up with further legal developments (if not bound by anti-money laundering laws).

9 CLEARING AND SETTLEMENT

All Participants must have access to appropriate infrastructure for clearing and settling SEPA Credit Transfers. Applicants are advised to read the CSM/PE-ACH Framework as well as the Rulebook for ensuring that their arrangements for clearing and settling SEPA payments will be in line with this Framework and the Rulebook.

9.1 Details of Clearing and Settlement Arrangements

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Does the applicant have any arrangements in place, whether indirectly through a Scheme Participant, or directly with an infrastructure provider for clearing and settling SEPA payments?
- If yes, please describe the arrangements in place.
- Will such arrangements satisfy the requirement for the applicant to be reachable for the purposes of participation in the Scheme?
- If no, what kind of arrangements are currently envisaged by the applicant for clearing and settling SEPA payments?
- Will such arrangements be in place by the applicant's stated Readiness Date?

9.2 Evidence to be provided - For instance

- Evidence of contracts with existing infrastructure providers or a Scheme Participant for clearing and settling SEPA payments.
- Business proposals for arrangements for the clearing and settlement of SEPA payments.

10 OPERATIONAL READINESS AND RISK CONTROL

It is key for all applicants to ensure that they are technically and operationally ready to participate in the Scheme and to make SEPA payments in accordance with the technical standards set out in the Rulebook. In addition, applicants are asked to demonstrate that they are able to manage risk in an appropriate and measured way, taking into account their business needs and activities. Both aspects of this criterion are important for ensuring that breaches of the Rulebook are limited and furthermore, that Participants are able to account for any risks involved in participating in the Scheme in accordance with their internal systems and controls.

10.1 Details of Operational Readiness and Risk Control

Please consider the following questions in demonstrating compliance with this condition for eligibility:

- Does the applicant consider itself to be operationally ready to be a part of the Scheme? In answering this, the applicant should familiarise itself with the Rulebook and accompanying background documentation.
- What measures are in place to measure and account for risk in the applicant's organisation?

10.2 Evidence to be provided - for instance

- A letter from the applicant's Chief Operating Officer to confirm that the applicant is (or will be, by the date selected by the applicant as the 'Readiness Date') operationally ready to participate in the Scheme.
- Evidence of internal papers (e.g. progress reports, audits, management reports) that demonstrate the efforts of the applicant for becoming ready to join the Scheme.
- Evidence of internal policies and procedures for measuring and controlling risk relevant to the participation in the Scheme.

11 ANY OTHER INFORMATION

The applicant is invited to set out any other information that may be relevant for the consideration of its adherence application b